

KANSAS DEPARTMENT OF CREDIT UNIONS
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ADMINISTRATOR'S BULLETIN

October 15, 2004

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CREDIT UNION COUNCIL MEETING

The next meeting of the Credit Union Council will be at 10:00 a.m., December 2, 2004 in the KDCU conference room, 400 Kansas Avenue, Suite B, Topeka, Kansas. The seven member council is appointed by the Governor to advise the Administrator on issues and needs of credit unions. You are invited and encouraged to attend council meetings.

Current Council Members are:

Steve A. Ray, Chair	Kansas City	3 rd District
Tony Augusto	Berryton	2 nd District
Gilbert Benton	Cimarron	1 st District
Mark C. Bezdek	Topeka	2 nd District
Mark Kolarik	Pittsburg	2 nd District
Gary A. Regoli	Wichita	4 th District
Erich Schaefer	Garden City	1 st District

INVESTMENT SAFEKEEPING

Investment Safekeeping requirements for Kansas Chartered Credit Unions are contained in the Kansas Department of Credit Unions Investment Guidelines issued by the Administrator, Kansas Department of Credit Unions pursuant to K.S.A. 17-2204a(c).

The Investment Safekeeping requirements for Kansas Chartered Credit Unions are different from the requirements for Federal Credit Unions.

A Kansas Chartered Credit Union purchasing, or otherwise acquiring Investment Securities for which it does not maintain possession, must comply with the Kansas Department of Credit Unions Investment Guidelines for Investment Safekeeping:

- Investment Securities owned by and not in the possession of the Kansas Chartered Credit Union must be held in safekeeping pursuant to a written safekeeping agreement;
- Each safekeeping agent for a Kansas Chartered Credit Union must be approved by the board of directors. The board of directors is responsible for the review of the financial condition, at least annually, of each authorized safekeeping agent;

- **The safekeeping agent must be a corporate credit union, a bank, or a trust company** and must provide an account statement reflecting all activity in the account no less frequently than monthly. **Kansas Chartered Credit Unions are not permitted to use a securities dealer or brokerage firm as their safekeeping agent;**
- The safekeeping agreement must, at a minimum, provide that:
 - the safekeeping agent keep the Investment Securities that are subject to the safekeeping agreement segregated from assets of the safekeeping agent; and
 - the safekeeping agent must maintain records which reflect the identity of the Kansas Chartered Credit Union for whom each Investment Security is held in safekeeping.

HELP FOR CREDIT UNIONS

Late in 2003, the Kansas Department of Credit Unions started a program to help credit unions under \$10 million in assets outside of the examination context.

The program has done well and we were able to help several credit unions solve issues.

The KDCU has decided that there is no need to limit our offer of assistance based on the size of the credit union. If you need and want help, we will do our best to meet your need outside of the context of the examination, regardless of your asset size. KDCU has nine well trained examiners with a variety of backgrounds and experiences who are interested in helping your credit unions operate profitably and smoothly.

Let us help you serve your membership better. If you are interested, please contact the KDCU office or any examiner to arrange an initial meeting.

Please remember your representatives from the Kansas Credit Union Association are available to assist you with any issues whether from the examination or otherwise.

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KDCU MEETING WITH CPA FIRMS

The Kansas Department of Credit Unions occasionally meets with CPA firms to discuss issues and to promote uniformity in audits of credit unions. The department has scheduled a meeting with CPA firms for Wednesday October 27, 2004 at a location to be determined.

The department has invited auditing firms to the meeting, but it would be helpful if you would contact your auditing firm and encourage them to attend. You can also discuss what topics you would like them to address. One topic sure to be covered is the Allowance for Loan Loss methodologies which some credit unions have been struggling with recently.

LOW INCOME DESIGNATION

NCUA has been encouraging credit unions to look into the Low Income Designation for many months now.

Here are a few of the reasons why an eligible credit union may wish to apply:

- You can seek and obtain grants to pay for needed equipment or training
- You are eligible to accept non member deposits
- You can participate in the Community Development Revolving Loan Program
- You can seek secondary capital
- You are entitled to an exception to the aggregate limit for member business loans.

There are several ways to obtain the designation. The easiest method is by serving low income zip codes, but loan surveys and member surveys can also be used.

The Kansas Department of Credit Unions urges you to consider obtaining the Low Income Designation in order to have the benefits available to you. If you are interested, contact the office in Topeka.

RESIDENT AGENT FOR THE CREDIT UNION

Please review your Articles of Incorporation to determine the accuracy of the information regarding your registered office and resident agent. You may need to amend your Articles of Incorporation. Call our office with any questions.

SKIP PAYMENT FEES

The department stated in the last Bulletin that fees charged by a credit union for skipping a payment are not allowed under state law. This has not changed; a "fee" may not be collected, even if it is to cover administrative costs of the program.

A number of credit unions have expressed interest in asking their members to make a voluntary donation to be credited to a specified charitable organization when a skip payment is approved for the member.

This request for a donation seems to be a good alternative even though no direct benefit comes to the credit union. A credit union may continue their "skip-a-payment" program; however; it will have to be done without a "fee" being charged to the member.

Jerel Wright, Administrator

DEPARTMENT STAFF

Administrative Specialist

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FREDA CHABIRA

Financial Examiner

MICHAEL BAUGH
ANDREW NUMELIN

Financial Examiner Senior

JAMES KLAUSEN
VALORIE WHITE
RICHARD YADON

Financial Examiner Principal

JIM BURGESS
WARREN MEYER
STEVE BORCHERS
MANNY LOPEZ

Financial Examiner Administrator

JACK HOHMAN

Administrator

JEREL WRIGHT